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PATENT

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Regarding to the application of: **Adam Coyle**

Serial No.: _____

FOR: **RELOADABLE DEBIT CARD SYSTEM AND METHOD**

Sir:

Transmitted herewith for filing are the following:

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☒ Patent Application (___ pgs.) and Drawings (___ pgs)
☐ Information Disclosure Statement and PTO 1449
☒ Declaration and Power of Attorney (signed)
☐ Verification of Small Entity Status by Inventor (signed)
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Respectfully submitted,

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RELOADABLE DEBIT CARD SYSTEM AND METHOD

Background of the Invention

1. Field of the Invention

The present invention relates generally to debit cards, and in particular to a non-cash, value-added, reloadable card which can be issued anonymously.

2. Description of the Prior Art

Commercial transactions typically involve transferring funds. Payments for goods and services involve transferring funds from buyers to sellers. Payments are also made on accounts. Payments can be made with cash, checks, drafts and various other negotiable instruments. Such methods all have their advantages. However, credit and debit cards enjoy ever-increasing popularity for paying on accounts and for purchasing goods and services.

An important advantage of credit/debit cards relates to their security. For example, even if a card is lost or stolen, its owner is normally exposed to only limited liability, if any, for its misuse. Moreover, various security measures tend to minimize unauthorized credit/debit card usage. By verifying cardholder identities and by invoking other security measures, commercial institutions have achieved some measure of success in curbing credit/debit card fraud. Such measures notwithstanding, credit/debit card fraud and the related problem of identity theft continue to cause huge losses.

Credit cards essentially provide their holders with lines of credit from issuing institutions. Thus, purchases and account payments result in credit card account balances.

1 The cardholders are responsible for paying these balances pursuant to the terms and
2 conditions of the credit card agreements.

3 Debit cards, on the other hand, are used for spending funds which have been pre-
4 deposited in cardholders' accounts. They tend to operate much like checking accounts
5 because consumers generally cannot exceed predetermined limits based on their previous
6 deposits with the issuing institutions.

7 Various systems and methods have previously been proposed for providing
8 consumers with the convenience of credit/debit cards with certain use restrictions. For
9 example, the Levine et al. U.S. Patent No. 5,477,038 discloses a method and apparatus for
10 distributing currency using debit cards. Special-purpose cards have also been proposed
11 and include pre-paid telephone calling cards. An example is shown in the Stimson et al.
12 U.S. Patent No. 5,511,114. The Stimson et al. U.S. Patents No. 5,577,109 and No.
13 5,721,768 also show pre-paid (i.e., debit) cards, which are designed for general purchases.

14 Debit cards are also used for obtaining cash from pre-funded accounts. The
15 Cucinotta et al. U.S. Patent No. 5,663,546 discloses an example of such a card. The
16 cardholder can remain anonymous whereby cash transfers can be made confidentially. The
17 global computer network ("Internet") has been utilized for loading debit cards, which can
18 then be used for making purchases over the global computer network. An example of
19 such a system and architecture is shown in the Davis et al. U.S. Patent No. 6,105,008.

20

1 Other types of debit cards include “gift” cards, which are typically not reloadable.
2 Gift cards are available in variations which permit cash to be dispensed and in other
3 variations which are restricted to purchases of goods and services. For example, Western
4 Union offers gift cards for dispensing cash to card holders, who can remain anonymous.

5 Heretofore there has not been available a reloadable debit card system and method
6 for purchasing goods and services with the advantages and features of the present
7 invention.

8 9 **Summary of the Invention**

10 In the practice of the present invention, a reloadable, non-cash dispensing debit
11 card system is provided. The system includes an issuing institution with a main account.
12 Multiple sub-accounts are established under the main account and are associated with
13 respective debit cards issued by the issuing institution. The debit cards are pre-assigned
14 sub-account numbers and incremental face values. The face values can be determined by a
15 cardholder/purchaser within a predetermined incremental value structure allowing the face
16 value of the card to be adjusted in predetermined increments. The cards are distributed to
17 retail (POS) establishments for sale to cardholders/purchasers who can use them for
18 purchasing goods and services, but not for cash redemption. Optionally, the cards can be
19 used to purchase negotiable instruments, such as money orders.

1 In the practice of the method of the present invention, an issuing institution
2 establishes a main account with sub-accounts which are assigned identifying numbers
3 associated with individual debit cards. The cards are distributed to retail (POS) merchants
4 and sold to customers/cardholders. Goods and services are purchased with the cards,
5 which can be reloaded with additional value in predetermined increments.

6
7 **Objects and Advantages of the Invention**

8 The principal objects and advantages of the present invention include: providing a
9 reloadable debit card system and method; providing a debit card for such a system;
10 providing such a card which can be used anonymously; providing such a card which can be
11 reloaded in predetermined increments; providing such a card which can be restricted to
12 goods and services purchases; providing such a card which can be preprinted for
13 distribution to retail (POS) establishments for resale; providing such a card which can be
14 used for the purchase of goods and services throughout a network of subscribing
15 merchants; providing a method of purchasing goods and services with reloadable debit
16 cards; providing such a method wherein the cards are preprinted; providing such a method
17 wherein the cards are reloadable in incremental value amounts; and providing a card-based
18 purchasing system and method which are efficient in operation, secure and particularly
19 well adapted for the proposed uses thereof.

20

1 Other objects and advantages of the present invention will become apparent from
2 the following description, wherein are set forth exemplary embodiments thereof.

3

4 **Brief Description of the Drawings**

5 **Fig. 1** is a schematic block diagram of a reloadable debit card system embodying
6 the present invention.

7 **Fig. 2** is a flow diagram of a reloadable debit card method embodying the present
8 invention.

9

10 **Detailed Description of the Preferred Embodiments**

11 **I. Introduction and Environment**

12 As required, detailed embodiments of the present invention are disclosed herein;
13 however, it is to be understood that the disclosed embodiments are merely exemplary of
14 the invention, which may be embodied in various forms. Therefore, specific structural and
15 functional details disclosed herein are not to be interpreted as limiting, but merely as a
16 basis for the claims and as a representative basis for teaching one skilled in the art to
17 variously employ the present invention in virtually any appropriately detailed structure.

18 Referring to the drawings in more detail, the reference numeral 2 generally
19 designates a system for purchasing goods and services with a reloadable (value-added)
20 debit card 10. The system 2 includes a card-issuing institution 4. The institution 4 can

1 comprise any suitable financial institution, such as a bank, a credit/debit card company, a
 2 credit union, etc. A host computer 6 is associated with the issuing institution 4 for
 3 supporting the system 2. A point-of-sale (POS) retail establishment network 8 comprises
 4 merchants and other entities providing goods and services which preferably subscribe to
 5 the card-acceptance program of the institution 4. By way of example, and without
 6 limitation on the generality of useful applications of the system 2, the institution 4 can
 7 comprise a major credit card company and the POS network 8 can accept the credit card
 8 as a form of payment for their respective goods and services. It will be appreciated that by
 9 aligning the system 2 with such an institution, a very large and widespread market can
 10 potentially be reached due to the widespread acceptance and usability of value-added
 11 cards 10 issued by the institution 2.

12 **FIG. 1** shows two POS retail establishment networks 8, which can comprise retail
 13 merchants respectively issuing the card 10 and conducting a sales transaction with the card
 14 holder 11. However, the same POS retail establishments 8 can conduct both activities,
 15 i.e., card 10 sales and merchandise sales. Moreover, as noted above, the number of retail
 16 establishments in the network 8 is virtually unlimited and all of them can conduct
 17 transactions in both cards 10 and merchandise.

18 The cards 10 can be preprinted by the institution 4 for distribution to the POS
 19 network 8 for sales to individual consumers 12 who thereby become holders of sub-
 20 accounts 12. The sub-accounts 12 are established under a main account 14 maintained by

1 the institution 4 and represent an aggregate of the sub-accounts 12 in a particular system
2 2. Each card 10 is imprinted with a sub-account identifier 18, such as a number or
3 combination of alpha and/or numeric characters or digits, which are associated with a
4 respective sub-account 12. The printed identifier 18 can be selectively covered by a
5 concealing strip 20, which can be in place, for example, prior to purchase and removed by
6 the sub-account holder 11 prior to use. In this manner security can be provided whereby
7 the identifier 18 is kept confidential.

8 Each card 10 is also equipped with a magnetic strip 22 for recording the identifier
9 18 which can be detected by a magnetic card reader 24 associated with a POS
10 establishment 8. The card reader 24 is connected to a POS computer terminal 26, which
11 is linked (e.g. hardwired, via internet, wirelessly, etc.) to the institution host computer 6.
12 Transactions can thus be submitted essentially instantaneously to the institution 4 for
13 approval or rejection, depending upon the account balance in the sub-account 12.

14 Security is provided for the system 2 by employing several procedures. Firstly, the
15 use of the card 10 can be limited to payment for goods and/or services, which can broadly
16 include negotiable instruments such as money orders, cashiers checks, travelers checks,
17 etc., made payable to the sub-account holder. By preventing the use of the card 10 to
18 directly acquire cash, the cards 10 are less inviting for theft, misuse, etc. The concealed
19 identifier 18 also provides security, and the card 10 can be imprinted with a suitable legend
20 28 suggesting that the identifier 18 be kept confidential and that the card not be accepted

1 with a pre-exposed identifier **18**, which might indicate that security for the card **10** had
2 been compromised. Still further, the POS establishment **8** can require the use of a
3 magnetic card reader **24** for insuring that the card **10** must physically be present for a
4 transaction to be conducted. Still further, a PIN could be assigned to each sub-account
5 **12**, which PIN would not appear on the card **10** but would be known to the sub-account
6 holder **11** for verification of his or her card ownership and hence authorization to conclude
7 the transaction.

8

9 **II. VALUE-ADDED CARD TRANSACTION METHOD**

10 **Fig. 2** is a flow chart depicting an exemplary debit or value-added card transaction
11 method embodying the present invention. The method commences at start **100** and
12 proceeds to an establish main account by card-issuing institution step **102**. The main
13 account is configured with multiple sub-accounts established at **104** and each sub-account
14 **12** is assigned an account number at **106**. Incremental face values for the cards **10** are
15 determined at **107**. For example, the cards **10** can have predetermined incremental face
16 values of \$5, \$10, etc. Cards **10** are printed with their sub-account numbers at **108**.

17 The cards **10** can optionally be provided with magnetic strips **22** at decision block
18 **110** which, if answered affirmatively, results in the cards **10** being encoded with their sub-
19 account numbers at **111**. If the cards do not have magnetic strips **22** (negative branch
20 from decision block **110**), or after the sub-account numbers are encoded at **111**, the

1 method proceeds to distributing the cards **10** to merchant (POS) establishments **8** at **112**.

2 The cards **10** can be pre-distributed to the POS network at **112** for inventorying
 3 same. The card sales occur at **114** whereupon the sub-accounts **12** are credited at **116** and
 4 the POS establishment collects the card fees representing the card values plus the
 5 transaction fees at **117**. Procedures for implementing the method can be simplified by
 6 providing the added value in predetermined increments, such as \$5, \$10, \$20, etc., as
 7 indicated by the determine incremental face value step **107**.

8 The sub-account holder purchases goods and/or services (i.e., at any POS
 9 establishment subscribing to the POS network **8**) with the card **10** at **118** whereupon the
 10 sub-account number is input at **120**. It will be appreciated that the account number input
 11 step **130** can be accomplished in various ways. For example, the account number could be
 12 read by a magnetic card reader from the magnetic strip. Alternatively, the account number
 13 could be input with a keypad or numeric keyboard. Still further, the account number
 14 could be input remotely, e.g., by telephone or by global computer network (Internet).

15 Purchase authorization is requested by the POS member establishment **8** at **122** by
 16 transmitting the sub-account number and the requested amount (i.e., price) to the issuing
 17 institution **4** at **124**. If a magnetic strip **22** is present on the card **10**, as determined at
 18 decision block **126**, the card **10** is swiped by a magnetic card reader **22** at **128**. If the
 19 decision at **126** is negative, or after swiping the card at **128**, a "Sufficient Funds?" decision
 20 box **130** is reached. If affirmative, the transaction is authorized at **132** and the method

1 proceeds to an end block 134. If the sub-account balance is insufficient to cover the
2 transaction and any fees associated therewith (negative branch from "Sufficient Funds?"
3 decision block 130), the method proceeds to a "Reload Card?" decision block at 136. The
4 affirmative branch from the decision block 136 leads to the credit sub-account step at 114.
5 Otherwise (negative branch from "Reload Card?" decision block 136) the method
6 proceeds to the end block 134.

7 It will be appreciated that the card 10 can be utilized indefinitely by simply adding
8 to its incremental value as needed at 116. Optionally, the affirmative branch from a
9 "Purchase Negotiable Instrument?" decision block 138 provides for payment of all or part
10 of the entire value of the card (after deducting transaction fees). Payment can be made in
11 the form of a negotiable instrument, such as a money order, cashiers check, etc. made
12 payable to the sub-account holder 11. The sub-account holder 11 can present the
13 negotiable instrument for cashing same. Such a negotiable instrument purchase can be
14 handled like any other goods or services purchase with the card 10. The negative branch
15 from the "Purchase Negotiable Instrument?" decision block 138 leads to the end block
16 140.

17 From a reading of the description above pertaining to the disclosed embodiments
18 of the present invention, modifications and variations thereto may become apparent to
19 those skilled in the art. Other alternatives and variations may also become apparent to
20 those of ordinary skill in the art upon a close examination of this specification in view of

1 the drawings. It should be appreciated that many features and aspects of the present
2 invention were described above by way of example only and are therefore not intended to
3 be interpreted as required or essential elements of the invention. Any elements of the
4 invention that are required or essential would have been explicitly indicated to be so, for
5 example by describing that the element “must” be included. Therefore, the scope of the
6 present invention is to be limited only by the following appended claims.

7

CLAIMS

What is claimed and desired to be secured by Letters Patent is as follows:

1. A stored-value card system, which comprises:
 - a card issuing institution;
 - a point-of-sale retail establishment authorized by the issuing institution to sell the cards;
 - a card identifier associated with each card and assigned thereto by the issuing institution;
 - a reloadable value associated with each card and representing a purchase price thereof, the purchase price being received by the point-of-sale establishment and credited to the card by the issuing institution;
 - a sub-account associated with each card and identified by the card identifier; and
 - said card being usable for purchases by presenting said card at a point-of-sale establishment whereby said sub-account is debited.
2. The system according to claim 1 wherein said cards can be used to purchase negotiable instruments from point-of-sale establishments.
3. The system according to claim 2 wherein said cards can be used to acquire money orders from point-of-sale establishments.
4. The system according to claim 1 wherein said cards are limited to usage for

purchases.

5. The system according to claim 1 wherein said card values are not redeemable for cash.
6. The system according to claim 1 wherein each card includes:
the card identifier being printed on the card and selectively concealed by a removable concealing strip attached to the card.
7. The system according to claim 1 which includes:
a magnetic strip on each card, the card identifier being encoded on the magnetic strip.
8. The system according to claim 1 which includes:
a reader at a point-of-sale retail establishment for reading the card identifiers and thereby verifying the sub-account balances.
9. The system according to claim 1 which includes:
a network comprising multiple point-of-sale establishments which accept said card for the purchase of goods and services.
10. A method of purchasing goods and services in transactions utilizing value-added cards, which method comprises the steps of:
establishing a master account for value-added cards at a card-issuing institution;
establishing a plurality of sub-accounts of said master account at said institution;
preprinting a plurality of value-added cards;

16. The method of claim 10, which includes the additional steps of:
concealing the identifier prior to purchase of a respective card; and
revealing the identifier by the sub-account holder after purchase of a respective card.
17. The method of claim 10, which includes the additional steps of:
transmitting to the issuing institution a transaction authorization request, including an amount of the transaction and a respective sub-account identifier; and
authorizing the transaction if sufficient funds are available in the sub-account.
18. The method of claim 11, which includes the additional steps of:
providing a computer terminal at the point-of-sale establishment; and
providing a computer terminal at the card-issuing institution linked to the point-of-sale computer terminal.
19. The method of claim 10, which includes the additional steps of:
providing magnetic strips on said cards;
encoding the identifiers on the magnetic strips;
providing magnetic card readers at the point-of-sale establishments;
reading the identifiers at the point-of-sale establishments with the card readers from the magnetic strips; and
transmitting the identifiers from the point-of-sale establishments to the card-issuing institution.

20. A method of purchasing goods and services in transactions utilizing value-added cards, which method comprises the steps of:

establishing a master account for value-added cards at a card-issuing institution;

establishing a plurality of sub-accounts of said master account at said institution;

preprinting a plurality of value-added cards;

issuing said cards to a point-of-sale retail establishment;

pre-assigning sub-account identifiers to said cards;

selling the cards at the point-of-sale establishment to retail customers/sub-account holders;

crediting the sub-accounts associated with said cards with initial values corresponding to the purchase amounts thereof;

making purchases with said cards by providing the cards to merchants;

debiting the respective sub-accounts in the amounts of said purchases;

reloading said cards by purchasing additional values therefor in the form of credits to said sub-accounts;

said initial values and said subsequent added values corresponding to incremental amounts predetermined by said issuing institution;

issuing negotiable instruments to sub-account holders and debiting the corresponding sub-accounts comparable amounts;

providing a numerical identifier for each said sub-account;

ABSTRACT OF THE DISCLOSURE

RELOADABLE DEBIT CARD SYSTEM AND METHOD

A reloadable debit card system includes an issuing institution whereat a main account is set up and multiple sub-accounts are established thereunder. Each sub-account corresponds to a respective cardholder. The sub-accounts are established and debit cards are printed with respective sub-account numbers prior to distributing the cards to an 80 POS distribution network. The cards are purchased from the POS member establishments for predetermined incremental values. Value can be added to such cards in such increments. A reloadable debit card method includes the steps of establishing a main account at an issuing institution and establishing sub-accounts thereunder. Multiple debit cards are printed with the respective sub-account numbers. The cards are then distributed to POS establishments for sale to cardholders, resulting in credits to the sub-accounts. Goods and services can be purchased with the cards whereupon the sub-accounts are debited. Negotiable instruments, such as money orders and the like, can optionally be purchased with the cards.

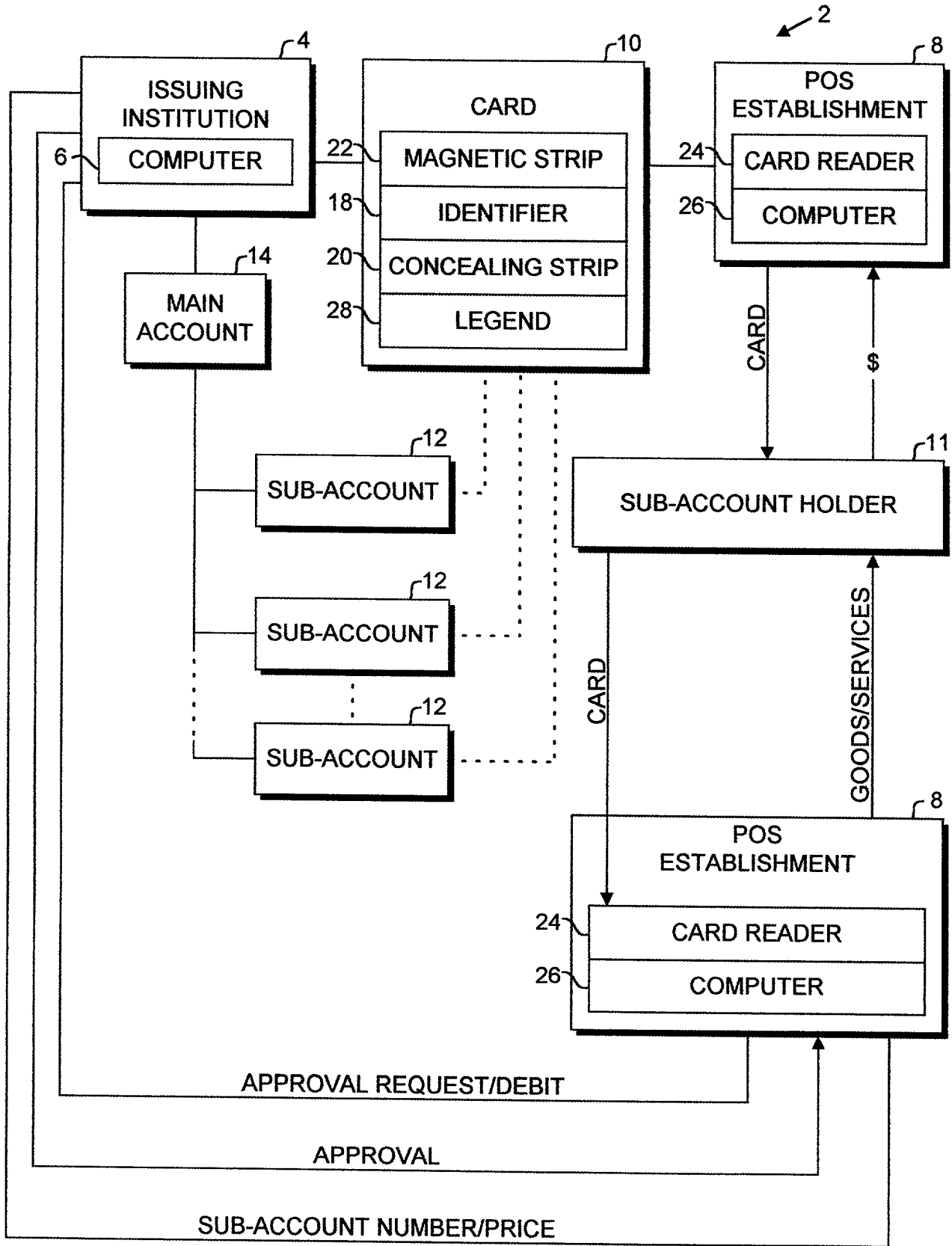


FIG. 1

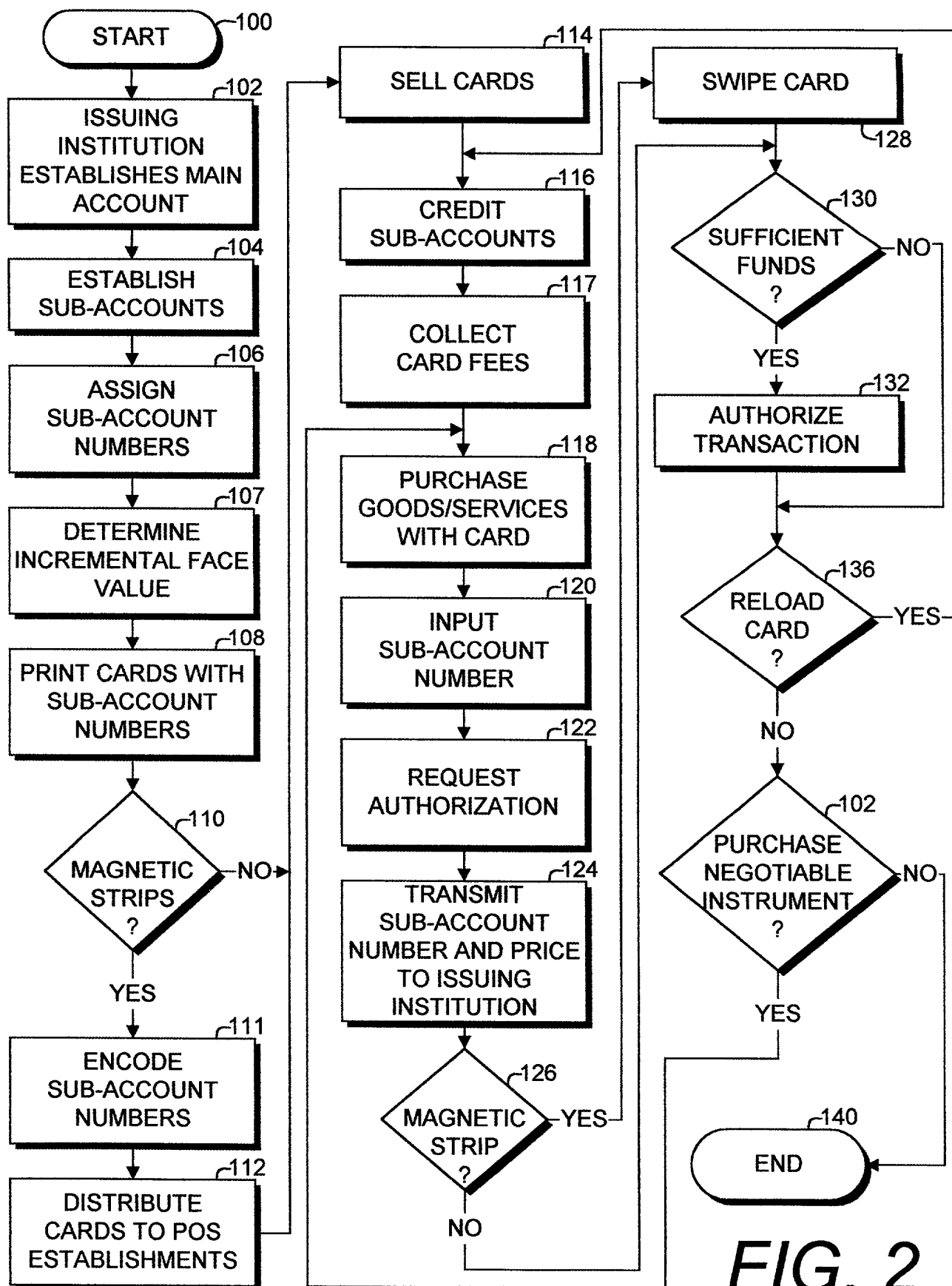


FIG. 2

**DECLARATION AND POWER OF ATTORNEY
FOR A PATENT APPLICATION**

As a below named inventor, I hereby declare that:

My residence, post office address and citizenship are as stated below next to my name.

I believe I am the original, first and sole inventor of the subject matter which is claimed and for which a patent is sought on the invention entitled **RELOADABLE DEBIT CARD SYSTEM AND METHOD.**

I hereby state that I have reviewed and understand the contents of the above-identified specification, including the claims, as amended by any amendment referred to above.

I acknowledge the duty to disclose information which is material to the patentability of this application in accordance with Title 37, Code of Federal Regulations, Sec. 1.56. (Under Sec. 1.56 information is material to patentability when it is not cumulative to information already of record before the Patent and Trademark Office with respect to the present application and it establishes either by itself or in combination with other information a prima facie case of unpatentability of a claim or it refutes or is inconsistent with a position taken in opposing an argument of unpatentability relied upon by the Patent and Trademark Office or in asserting an argument of patentability. Under this section a prima facie case of unpatentability is established when the information compels a conclusion that a claim is unpatentable under the preponderance of evidence, burden-of-proof standard, giving each term in the claim its broadest reasonable construction consistent with the specification, and before any consideration is given to evidence which may be submitted in an attempt to establish a contrary conclusion of patentability.)

005111 "E09ET 250

I hereby state that I do not know and do not believe that the invention was ever known or used in the United States of America before my invention thereof; that to the best of my knowledge and belief the invention has not been in public use or on sale in the United States of America more than one year prior to this application, or patented or described in any printed publication in any country before my invention thereof or more than one year prior to this application, or patented or made the subject of an inventor's certificate issued before the date of this application in any country foreign to the United States of America on an application filed by me or my legal representatives or assigns more than twelve months prior to this application; and that no application for patent or inventor's certificate on this invention has been filed in any country foreign to the United States of America prior to this application by me or my legal representatives or assigns.

I hereby appoint Malcolm A. Litman, Reg. No. 19,579; Gerald M. Kraai, Reg. No. 34,854; Mark E. Brown, Reg. No. 30,361; Kent R. Erickson, Reg. No. 36,793; Mark L. Kleypas, Reg. No. 43,720; and Marcia J. Rodgers, Reg. No. 33,765 all members of the bar of the State of Missouri, whose postal address is Shughart, Thomson & Kilroy, P.C., Twelve Wyandotte Plaza, 120 West 12th Street, Kansas City, Missouri 64105, telephone (816) 421-3355 as my attorneys, with full power of substitution, to prosecute this application, to make alterations and amendments therein, to receive the patent, and to transact all business in the Patent Office connected therewith in my behalf.

I hereby declare that all statements made herein of my own knowledge are true and that all

statements made on information and belief are believed to be true; and further, that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the application or any patent issued thereon.

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